

**REPORT OF THE AUDIT OF THE
OHIO COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OHIO COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Ohio County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances of the primary government increased by \$239,353 from the beginning of the year, resulting in a cash surplus of \$1,624,654 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$614,000. Future bonded debt principal and interest payments of \$710,600 are needed to meet these obligations.

Capital lease principal agreements totaled \$401,505 as of June 30, 2003. Future principal and interest payments of \$455,172 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on June 30, 2003 for the acquisition of two International Dump Trucks, one Champion Motor Grader, one Samsung Wheeled Excavator and one John Deere Tractor/Bushhog in the amount of \$345,277. However, no lease proceeds were received until July 22, 2004. The interest is variable. The termination date is July 20, 2006.

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 21, 2003 for the financing of an ambulance in the amount of \$43,625. The interest is variable. The termination date is August 20, 2006.

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CRIT LUALLAN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Wayne Hunsaker, Ohio County Judge/Executive

Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Ohio County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type and discretely presented component unit; and the related statement of cash flows - proprietary fund type and discretely presented component unit for the year then ended. These financial statements are the responsibility of the Ohio County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Ohio County Hospital Corporation. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ohio County Hospital Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Ohio County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of the Ohio County Hospital Corporation are presented according to accounting principles generally accepted in the United States of America. This basis of accounting is inconsistent with the basis of accounting used in the financial statements of the primary government of Ohio County, Kentucky.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Wayne Hunsaker, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Ohio County, Kentucky, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with the modified cash basis of accounting.

However, the primary government financial statements, because the financial data of the component unit of Ohio County, Kentucky, is presented according to a different basis of accounting, do not purport to, and do not, present fairly the financial position of Ohio County, Kentucky, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2004, on our consideration of Ohio County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Ohio County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 28, 2004

OHIO COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Wayne Hunsaker	County Judge/Executive
Kenny Autry	Magistrate
Dean Minton	Magistrate
Larry Keown	Magistrate
Paul Sandefur	Magistrate
Richard Robinson	Magistrate

Other Elected Officials:

Greg Hill	County Attorney
Gerry Wright	Jailer
Les Johnson	County Clerk
Gaynell Allen	Circuit Court Clerk
Elvis Doolin	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Sue Hitchel	County Treasurer
Colleen Cox	Occupational Tax Collector
Mary Bartlett	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

OHIO COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type		Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Primary Government
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,610,230	\$ 20,449	\$ 4,290	\$ 1,634,969
<u>Assets Limited as to Use- Current</u>				
Patient Accounts Receivable, Less Allowance for Uncollectible Accounts - \$528,536				
Other Accounts Receivable				
Supplies				
Prepaid Expenses and Other				
Total Current Assets	<u>1,610,230</u>	<u>20,449</u>	<u>4,290</u>	<u>1,634,969</u>
<u>Assets Limited as to Use</u>				
Held by Trustee				
Less Amount Required to Meet Current Obligations				
Total Assets Limited as to Use				
<u>Property, and Equipment, at Cost</u>				
Land and Land Improvements				
Buildings				
Equipment				
Less Accumulated Depreciation				
Total Property Plant and Equipment Net of Accumulated Depreciation				
<u>Other Assets</u>				
Deferred Financing Costs, at Amortized Cost				
Physicians Receivables				
Total Other Assets				
Total Assets	<u>1,610,230</u>	<u>20,449</u>	<u>4,290</u>	<u>1,634,969</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Capital Lease (Note 5)	403,588			403,588
Bond Payments (Note 4)	614,000			614,000
Total Other Resources	<u>1,017,588</u>			<u>1,017,588</u>
Total Assets and Other Resources	<u>\$ 2,627,818</u>	<u>\$ 20,449</u>	<u>\$ 4,290</u>	<u>\$ 2,652,557</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

Component Unit	Totals (Memorandum Only)
Ohio County Hospital Corporation	Reporting Entity
\$ 383,780	\$ 2,018,749
153,691	153,691
2,791,104	2,791,104
386,084	386,084
518,650	518,650
140,791	140,791
<u>4,374,100</u>	<u>6,009,069</u>
634,881	634,881
<u>(153,691)</u>	<u>(153,691)</u>
<u>481,190</u>	<u>481,190</u>
264,196	264,196
4,623,853	4,623,853
10,156,347	10,156,347
<u>15,044,396</u>	<u>15,044,396</u>
<u>(10,426,070)</u>	<u>(10,426,070)</u>
<u>4,618,326</u>	<u>4,618,326</u>
94,517	94,517
<u>178,434</u>	<u>178,434</u>
<u>272,951</u>	<u>272,951</u>
<u>9,746,567</u>	<u>11,381,536</u>
	403,588
	<u>614,000</u>
	<u>1,017,588</u>
<u>\$ 9,746,567</u>	<u>\$ 12,399,124</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Primary Government</u>
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 5)	\$ 403,588	\$	\$	\$ 403,588
Bonds:				
Series 1979 (Note 4)	614,000			614,000
Current Maturities of Long-Term Debt				
Accounts Payable				
Accrued Payroll and Other Expenses				
Unearned Revenue				
Estimated Amounts Due to Third-Party Payers				
Long-Term Debt				
Total Liabilities	<u>1,017,588</u>			<u>1,017,588</u>
<u>Equity</u>				
Retained Earnings:				
Restricted			4,290	4,290
Equity:				
Reserved	44,571			44,571
Unreserved	1,565,659	20,449		1,586,108
Net Assets:				
Unrestricted				
Total Equity	<u>1,610,230</u>	<u>20,449</u>	<u>4,290</u>	<u>1,634,969</u>
Total Liabilities and Equity	<u>\$ 2,627,818</u>	<u>\$ 20,449</u>	<u>\$ 4,290</u>	<u>\$ 2,652,557</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

Component Unit	Totals (Memorandum Only)
Ohio County Hospital Corporation	Reporting Entity
\$	\$ 403,588
	614,000
495,499	495,499
502,351	502,351
539,555	539,555
279,719	279,719
113,653	113,653
4,599,145	4,599,145
<u>6,529,922</u>	<u>7,547,510</u>
	4,290
	44,571
	1,586,108
<u>3,216,645</u>	<u>3,216,645</u>
<u>3,216,645</u>	<u>4,851,614</u>
<u>\$ 9,746,567</u>	<u>\$ 12,399,124</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

OHIO COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,772,199	\$ 1,438,638	\$ 321,223	\$ 438,138
Airport Board Receipts				
Other Financing Sources:				
Transfers In	650,187		145,498	205,000
Total Cash Receipts	<u>\$ 3,422,386</u>	<u>\$ 1,438,638</u>	<u>\$ 466,721</u>	<u>\$ 643,138</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,367,543	\$ 1,342,859	\$ 481,279	\$ 159,439
Airport Board Expenditures				
Other Financing Uses:				
Transfers Out				
Bonds:				
Principal Paid	86,000			
Interest Paid	32,850			
Capital Lease - Principal Paid	64,892	55,260		46,403
Total Cash Disbursements	<u>\$ 3,551,285</u>	<u>\$ 1,398,119</u>	<u>\$ 481,279</u>	<u>\$ 205,842</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (128,899)	\$ 40,519	\$ (14,558)	\$ 437,296
Cash Balance - July 1, 2002	<u>389,530</u>	<u>336,028</u>	<u>31,405</u>	<u>309,251</u>
Cash Balance - June 30, 2003	<u><u>\$ 260,631</u></u>	<u><u>\$ 376,547</u></u>	<u><u>\$ 16,847</u></u>	<u><u>\$ 746,547</u></u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

General Fund Type		Special Revenue Fund Type				
Occupational Tax Fund	Airport Board Fund	Forest Fire Fund	Hospital Medicaid Fund	Senior Citizens Fund	Totals (Memorandum Only)	
\$ 1,566,845	\$ 21,185	\$ 6,009	\$ 1,409	\$ 94,268	\$ 6,638,729	21,185
				56,953	1,057,638	
<u>\$ 1,566,845</u>	<u>\$ 21,185</u>	<u>\$ 6,009</u>	<u>\$ 1,409</u>	<u>\$ 151,221</u>	<u>\$ 7,717,552</u>	
\$ 582,018	\$ 49,672	\$ 6,009	\$ 1,409	\$ 143,051	\$ 6,083,607	49,672
1,057,638					1,057,638	
						86,000
						32,850
						166,555
<u>\$ 1,639,656</u>	<u>\$ 49,672</u>	<u>\$ 6,009</u>	<u>\$ 1,409</u>	<u>\$ 143,051</u>	<u>\$ 7,476,322</u>	
\$ (72,811)	\$ (28,487)	\$	\$	\$ 8,170	\$ 241,230	
237,898	62,743			12,279	1,379,134	
<u>\$ 165,087</u>	<u>\$ 34,256</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,449</u>	<u>\$ 1,620,364</u>	

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

OHIO COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

For The Fiscal Year Ended June 30, 2003

	Proprietary Fund Type	Totals	Component Unit	Totals
		Primary Government (Memorandum Only)	Ohio County Hospital Corporation	Reporting Entity (Memorandum Only)
Cash Receipts, Unrestricted Revenues, Gains and Other Support:				
Net Patient Service Revenue			\$ 15,879,673	\$ 15,879,673
Other			207,981	207,981
Jail Canteen Receipts	\$ 14,598	\$ 14,598		14,598
Total Cash Receipts, Unrestricted Revenues, Gains and Other Support	14,598	14,598	16,087,654	16,102,252
Cash Disbursements and Expenses:				
Jail Canteen Expenditures	16,475	16,475		16,475
Salaries and Wages			5,645,834	5,645,834
Employee Benefits			1,129,565	1,129,565
Purchased Services and Professional Fees			974,208	974,208
Other Professional Fees			1,389,248	1,389,248
Supplies			2,440,848	2,440,848
Utilities			234,495	234,495
Repairs and Maintenance			461,682	461,682
Rents and Leases			82,417	82,417
Insurance			521,390	521,390
Depreciation and Amortization			936,955	936,955
Interest			362,981	362,981
Provision for Uncollectible Accounts			1,249,133	1,249,133
Provider Taxes			341,691	341,691
Other			188,234	188,234
Total Cash Disbursements and Expenses	16,475	16,475	15,958,681	15,975,156
Operating Income (Loss)	(1,877)	(1,877)	128,973	127,096
Other Income:				
Investment Return			20,595	20,595
Excess (Deficiency) Cash Receipts and Revenues over Disbursements and Expenses and Increase (Decrease) in Unrestricted Net Assets	\$ (1,877)	\$ (1,877)	\$ 149,568	\$ 147,691
Cash Balance - July 1, 2002	6,167	6,167		
Cash Balance - June 30, 2003	\$ 4,290	\$ 4,290		

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

For The Fiscal Year Ended June 30, 2003

	Proprietary Fund Type	Totals
	Enterprise	Primary Government (Memorandum Only)
Operating Income (Loss)	\$ (1,877)	\$ (1,877)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization		
Provisions for Uncollectible Accounts		
Increase in Accounts Receivable, Net		
Increase in Supplies and Other Assets		
Increase in Estimated Amounts Due from Third Party Payers		
Decrease in Accounts Payable and Accrued Expenses		
Net Cash Provided (Used) By Operating Activities	(1,877)	(1,877)
Cash Flows from Investing Activities:		
Decrease in Assets Limited as to Use		
Purchase of Property and Equipment		
Payments Received for Notes Receivable		
Payments Incurred for Notes Receivable		
Net Cash Provided By Investing Activities		
Cash Flows from Financing Activities:		
Principal Payments on Debt		
Net Cash Used By Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(1,877)	(1,877)
Cash and Cash Equivalents, Beginning of Year	6,167	6,167
Cash and Cash Equivalents, End of Year	4,290	4,290
Supplemental Cash Flows Information		
Interest Paid		

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 AND DISCRETELY PRESENTED COMPONENT UNIT
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Component Unit	Totals
	Reporting
Ohio County	Entity
Hospital	(Memorandum
Corporation	Only)
\$ 149,568	\$ 147,691
936,955	936,955
1,249,133	1,249,133
(1,267,038)	(1,267,038)
(24,140)	(24,140)
(489,269)	(489,269)
(23,112)	(23,112)
532,097	530,220
201,019	201,019
(167,637)	(167,637)
21,210	21,210
(30,893)	(30,893)
23,699	23,699
(475,297)	(475,297)
(475,297)	(475,297)
80,499	78,622
303,281	309,448
\$ 383,780	388,070
\$ 360,366	360,366

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Ohio County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Airport Board, Ohio County Public Facilities Corporation, and Ohio County Hospital Corporation as part of the reporting entity.

Airport Board

The Airport Board does not have separate corporate powers that would distinguish it as being legally separate from the fiscal court, based on the criteria stated in GASB 14. Financial information for the Airport Board is blended with Ohio County's financial statements.

Ohio County Public Facilities Corporation

The Ohio County Public Facilities Corporation does not have separate corporate powers that would distinguish it as being legally separate from the fiscal court, based on the criteria stated in GASB 14. There was no financial activity for the Ohio County Public Facilities Corporation for the fiscal year ended June 30, 2003.

Ohio County Hospital Corporation

The Ohio County Hospital Corporation is a legally separate entity. Fiscal Court has the authority to appoint a voting majority of the Ohio County Hospital Corporation Board of Directors. In addition the Fiscal Court via the Ohio County Public Facilities Corporation hold title to a portion of the Ohio County Hospital Corporation land and buildings. Therefore, management has included this entity as a component unit, and the entity financial activity is discretely presented in the financial statements. Ohio County Hospital Corporation's fiscal year ends on September 30; therefore, financial information for Ohio County Hospital Corporation presented herein is as of and for the year ended September 30, 2003. A complete copy of the audit report may be obtained from the Ohio County Hospital Corporation.

Additional - Ohio County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Additional - Ohio County Constitutional Elected Officials (Continued)

The Kentucky constitution provides for election of the above officials from the geographic area constituting Ohio County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Ohio County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Ohio County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Occupational Tax Fund, and Airport Board Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Ohio County Special Revenue Fund Type includes the following funds: the Forest Fire Fund, Hospital Medicaid Fund, and Senior Citizens Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Ohio County Enterprise Fund Type includes the Jail Canteen Fund, and Ohio County Hospital Corporation.

The Jail Canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment, and land that are owned by the county. The fixed assets of the Ohio County Hospital Corporation are reported on these financial statements as the corporation presents its financial information according to generally accepted accounting principles.

D. Legal Compliance - Budget

The Ohio County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Airport Board Fund and the Ohio County Public Facilities Corporation. The Airport Board and the Ohio County Public Facilities Corporation are component units based on the criteria stated in GASB 14. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. The Ohio County Hospital Corporation recognized investments at amortized cost, which approximates fair value. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Ohio County Fiscal Court: the Ohio County Water District and the Ohio County Library.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered related organizations of Ohio County Fiscal Court: The Bluegrass Crossing Industrial Authority and Ohio County Regional Wastewater District.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

OHIO COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

Future bond and interest requirements of the Nonvoted Building Commission Bond Fund are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 28,450	\$ 90,000
2005	23,825	95,000
2006	18,975	99,000
2007	13,900	104,000
2008	8,550	110,000
2009	<u>2,900</u>	<u>116,000</u>
Totals	<u>\$ 96,600</u>	<u>\$ 614,000</u>

The bonds were issued on January 1, 1981 to finance a courthouse annex building. The bonds bear an interest rate of 5 percent to be paid semi-annually on January 1 and July 1 and will be fully amortized on January 1, 2009. The debt service occurs in the general fund.

Note 5. Lease Agreements

Courthouse Renovation

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on May 16, 2000, for the funding of the renovation of the current courthouse building in the amount of \$250,000. The interest rate is variable for 10 years. The termination date is May 20, 2010. The principal balance at June 30, 2003 was \$148,983. Future lease principal and interest requirements are:

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease Agreements (Continued)

Courthouse Renovation (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 5,382	\$ 23,265
2005	4,459	24,333
2006	2,493	25,451
2007	2,482	26,621
2008	1,426	27,844
2009	346	21,469
Totals	<u>\$ 16,588</u>	<u>\$ 148,983</u>

Voting Machines

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on April 20, 2002, for the acquisition of two electronic voting machines in the amount of \$10,080. The interest rate is variable for 2 years. The termination date is January 20, 2004. The principal balance at June 30, 2003 was \$5,110. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 95	\$ 5,110
Totals	<u>\$ 95</u>	<u>\$ 5,110</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease Agreements (Continued)

Ford Escape

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on May 17, 2002, for the acquisition of a 2002 Ford Escape in the amount of \$9,100. The interest rate is variable for 4 years. The termination date is June 20, 2006. The principal balance at June 30, 2003 was \$6,935. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 233	\$ 2,237
2005	143	2,311
2006	51	2,387
Totals	<u>\$ 427</u>	<u>\$ 6,935</u>

Road Garage Building

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 12, 1996, for the building of a road garage building in the amount of \$106,000. The interest rate is variable for 20 years. The termination date is August 1, 2016. The principal balance at June 30, 2003 was \$78,746. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 3,621	\$ 5,029
2005	3,396	4,849
2006	3,161	5,045
2007	2,917	5,250
2008	2,664	5,462
2009-2013	9,134	30,818
2014-2017	1,710	22,293
Totals	<u>\$ 26,603</u>	<u>\$ 78,746</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease Agreements (Continued)

Pothole Patcher and Storage Tank

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on March 2, 2001, for the purchase of a pothole patcher and storage tank in the amount of \$135,519. The interest rate is variable for 5 years. The termination date is March 20, 2006. The principal balance at June 30, 2003 was \$82,436. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 3,420	\$ 24,917
2005	2,140	28,000
2006	804	29,519
Totals	<u>\$ 6,364</u>	<u>\$ 82,436</u>

Ambulance

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 30, 2002, for the purchase of a 2002 Ford Ambulance in the amount of \$42,234. The interest rate is variable for 3 years. The termination date is August 20, 2005. The principal balance at June 30, 2003 was \$30,912. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 965	\$ 13,997
2005	406	14,459
2006	12	2,456
Totals	<u>\$ 1,383</u>	<u>\$ 30,912</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Lease Agreements (Continued)

Ambulances

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on November 20, 2000, for two ambulances in the amount of \$102,590. The interest rate is variable for 2 years. The termination date is November 20, 2003. The principal balance at June 30, 2003 was \$15,088. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 209	\$ 15,088
Totals	<u>\$ 209</u>	<u>\$ 15,088</u>

Airport Board

On October 1, 1997, the Ohio County Airport Board entered into an airport loan agreement with the Kentucky Transportation Cabinet for the purpose of retiring a high interest loan. The principal amount was \$66,588 at an interest rate of 2 percent. Ten equal installments of principal and interest of \$7,325 are due annually. The principal balance as of June 30, 2003 was \$33,295. Future loan principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 666	\$ 6,659
2005	533	6,659
2006	400	6,659
2007	266	6,659
2008	133	6,659
Totals	<u>\$ 1,998</u>	<u>\$ 33,295</u>

Note 6. Related Party Transactions

The Jailer's father owns Charlie's Lawn Care. The jail commissary had expenditures of \$3,350 to this business during fiscal year ended June 30, 2003. The County Attorney found that no conflicts of interest existed with the Ohio County Code of Ethics.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 7. Subsequent Events

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on June 30, 2003 for the acquisition of two International Dump Trucks, one Champion Motor Grader, one Samsung Wheeled Excavator and one John Deere Tractor/Bushhog in the amount of \$345,277. However, no lease proceeds were received until July 22, 2004. The interest is variable. The termination date is July 20, 2006.

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 21, 2003 for the financing of an ambulance in the amount of \$43,625. The interest is variable. The termination date is August 20, 2006.

Note 8. Insurance

For the fiscal year ended June 30, 2003, Ohio County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Kentucky Medicaid Assistance Program

The Ohio County Fiscal Court entered into a Funds Transfer Agreement with the Ohio County Hospital for the purpose of facilitating an intergovernmental transfer of funds to the Commonwealth of Kentucky in order to qualify the hospital for enhanced payments for services provided to Medicaid - eligible residents. During fiscal year 2003, the Ohio County Fiscal Court received and transferred funds totaling \$1,409.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

OHIO COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,875,518	\$ 2,772,199	\$ (103,319)
Road and Bridge Fund	1,288,633	1,438,638	150,005
Jail Fund	307,428	321,223	13,795
Local Government Economic Assistance Fund	675,216	438,138	(237,078)
Occupational Tax Fund	1,627,978	1,566,845	(61,133)
<u>Special Revenue Fund Type</u>			
Forest Fire Fund	6,009	6,009	
Hospital Medicaid Fund	812,500	1,409	(811,091)
Senior Citizens Fund	84,214	94,268	10,054
Totals	<u>\$ 7,677,496</u>	<u>\$ 6,638,729</u>	<u>\$ (1,038,767)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above		\$ 7,677,496	
Add: Budgeted Prior Year Surplus		1,073,128	
Less: Other Financing Uses		<u>(250,582)</u>	
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 8,500,042</u>	

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SCHEDULE OF OPERATING REVENUE

OHIO COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPE</u>			
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 2,456,395	\$ 6,009	\$ 2,462,404
In Lieu Tax Payments	1,413		1,413
Licenses and Permits	406,657		406,657
Intergovernmental Revenues	3,329,442	80,037	3,409,479
Charges for Services	150,391	2,461	152,852
Miscellaneous Revenues	160,637	13,179	173,816
Interest Earned	32,108		32,108
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Total Operating Revenue	<u>\$ 6,537,043</u>	<u>\$ 101,686</u>	<u>\$ 6,638,729</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

OHIO COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,475,905	\$ 2,310,384	\$ 165,521
Protection to Persons and Property	944,239	859,955	84,284
General Health and Sanitation	1,052,386	306,536	745,850
Social Services	145,250	117,615	27,635
Recreation and Culture	609,297	358,386	250,911
Roads	1,353,999	1,209,312	144,687
Airports	3,513	3,513	
Debt Service	17,330	16,405	925
Capital Projects	34,800	8,000	26,800
Administration	891,368	743,032	148,336
Total Operating Budget - General Fund Type	\$ 7,528,087	\$ 5,933,138	\$ 1,594,949
Other Financing Uses:			
Bonds-			
Principal	86,000	86,000	
Interest	32,850	32,850	
Capital Lease Agreement-			
Principal on Lease	131,732	131,041	691
TOTAL BUDGET - GENERAL FUND TYPE	\$ 7,778,669	\$ 6,183,029	\$ 1,595,640
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 6,009	\$ 6,009	\$
Social Services	133,411	124,613	8,798
Administration	832,535	19,847	812,688
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 971,955	\$ 150,469	\$ 821,486

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne Hunsaker, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Ohio County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 28, 2004 in which we issued an adverse opinion on the reporting entity while issuing an unqualified opinion on the primary government. We did not audit the financial statements of the Ohio County Hospital Corporation. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ohio County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 28, 2004

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

Appendix A


CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

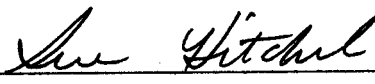
OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Ohio County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

